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Italy

Trade Policy Monitoring

Italy reaches an agreement on implementation of June 2003 CAP Reform

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Report Highlights:

Italian agricultural debate is animated by implementation of Common Agricultural Policy reforms. The Italian Government has finally reached an agreement with Italian farmer unions and regional governments for the implementation of the Common Agricultural Policy (CAP) reform approved by the EU Council in June 2003. No official Government position has yet been agreed for the reform of other sectors.

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Implementation of the June 2003 CAP reform

After several months of negotiations, the Italian Government has finally reached an agreement with farmer unions and regional governments for the implementation of the Common Agricultural Policy (CAP) reform approved by the EU Council in June 2003. The July 22, 2004 Italian compromise is largely based on an official Government position paper presented by Agriculture Minister Mr. Gianni Alemanno to agriculture and food representatives a few weeks ago. The decision will be communicated to EU Commission before the deadline of July 31, 2004.

The options left to EU member states by the June 2003 reform are numerous, they affect all arable crops excluding rice (upon which no country decision has to be taken), fruit & vegetables (as they are subject to a separate regime) and the so-called Mediterranean Package (tobacco, olive oil, hops, cotton), which is subject to a separate proposal presented in April 2004. The June 2003 reform also affects livestock and some aspects of the dairy regime.

Start in 2005 and full decoupling

Italy will start the new regime of payments in 2005. The option of delaying the implementation to 2006 or 2007 was not welcomed by Italians as the early start is expected to give stronger long-term stability to farmers.

There will be a 100% decoupling of payments for all arable crops other than seed production. The same will apply to the livestock sector. Annual payments for farmers will amount to the average annual payment received by the same farmer in the three years reference period 2000-02. The only obligation for the farmer receiving the payments will be to maintain the land in good environmental and agronomic conditions. Payments will be adjusted in response to specific situations such as property transfer in the reference period, land lease, etc.

Application of Article 69

Italy also decided to apply Article 69 of the horizontal regulation of CAP reform (EC 1782/2003) on optional implementation for specific types of farming and quality production. Article 69 states that

"Member States may retain up to 10 % of the component of national ceilings referred to in Article 41 [the total country budget] corresponding to each sector...the Member State concerned shall make, on a yearly basis, an additional payment to farmers in the sector or sectors concerned by the retention. The additional payment shall be granted for specific types of farming which are important for the protection or enhancement of the environment or for improving the quality and marketing of agricultural products under conditions to be defined by the Commission ..."

According to the June 22 decision Italy will retain 7% or 8% of the annual budget allocated to the affected arable crops, as well as 5% of the annual budget for the livestock sector. The resulting amounts will go into a national fund to finance quality measures and environmentally friendly farming through plans that will be agreed between Rome Government and regional administrations.

Although some of the provisions of the Italian scheme of implementation may change slightly before being officially communicated to the EU Commission, the structure of the decision seems definitive at the moment. The table below summarizes the main provisions of the Italian decision.

Starting implementation: 2005

Product	GOI decision	Comments
Arable crops (excl. Seeds)	100% decoupling 8% of the available ceiling plafond to be distributed on the basis of quality standards (likely for sunflower seeds, soy and durum wheat producers)	No major change forecasted in terms of planted area No major opposition of farmers and industry associations
Durum wheat		Opposition from millers. They call for 40% coupling.
Seed production	100% coupled	No major opposition
Rice	No country decision to be taken	
Beef	100% decoupling 5% of the available budget ceiling to be distributed on the basis of quality standards (suckling cow, adult male)	Major opposition by meat slaughter associations No major opposition by farmers organizations and meat traders
Sheep and goat	100% decoupling 5% of the available budget plafond to be distributed on the basis of quality standards	No major opposition
Dairy	Decoupling of payments from 2005	No major opposition

With regard to rice, application of the reformed CMO on 1 September 2004 is creating some concerns in the country. Both farmers and Government officials welcomed the decision taken at the July 20 EU Council to change the current import regime for rice with a fixed duty as it better guarantees Italian rice producers. The new import duty for husked rice is fixed at 65€/t and for milled at 175€/t.

The implementation of other aspects of the June 2003 CAP reform is harmonized throughout EU15, further details can be found at www.useu.be/agri.

Mediterranean Package, Sugar and Other sectors

The CAP reform agreed in June 2003 rules only some of the products covered by EU Common Market Organizations. The reform for a group of other products (tobacco, olive oil, cotton, hops) was approved in April 2004 with the name of Mediterranean Package. Official Government negotiations for the implementation in the country of the Mediterranean have not yet started. The table below reports unofficial prevalent position on the issue by industry leaders and government officials.

Product	Prevalent position	Comments
Olive oil	>60% of the payment decoupled, quality premiums to be agreed – Starting campaign 2004/5	60% coupling is the minimum
Tobacco	Minimum decoupling (40%) in the 2006-2010 transition period. After 2010 no national choice (50% decoupled and 50% in funds for sector restructuring)	General satisfaction by GOI, farmers organizations and processors for changes to original Commission proposal.
Cotton and Hops	Not relevant for Italy	

Reform proposals of other sectors such as horticultural products, processed fruit & vegetables are expected later in 2004 or in 2005. There is great concern in the country about the effects of a possible decoupling of payments in these sectors.

With regard to sugar reform, there is a general lack of consensus by industry leaders and government officials for the proposal presented by the EU Commission last July 14, 2004. Government of Italy unveiled last week its strong opposition to the proposal as they fear it would greatly undermine the already little competitive Italian sugar industry.